

Public Service Commission of Wisconsin  
Rebuttal Testimony of Kenneth Detmer  
Gas and Energy Division

Wisconsin Energy Corporation  
Docket 9400-YO-100

February 19, 2105

1 Q. Please state your name, business address, and occupation.

2 A. My name is Kenneth J. Detmer, and my business address is Public Service Commission  
3 of Wisconsin (Commission), 610 North Whitney Way, P.O. Box 7854, Madison,  
4 Wisconsin 53707-7854. I am employed by the Public Service Commission of Wisconsin  
5 (Commission) as an Advanced Engineer in the Gas and Energy Division.

6 Q. Did you previously file direct testimony in this proceeding?

7 A. Yes.

8 Q. What does your testimony cover?

9 A. This testimony is provided to respond to the applicant's discussion of my direct  
10 testimony on the potential for the acquisition to create savings in joint resource planning.  
11 It is important to note that the savings I spoke of in my direct testimony are only realized  
12 if the utilities act together and delay the need for additional generation resources. Joint  
13 planning that I recommended in my direct testimony must occur to obtain avoided cost  
14 savings. At this point in time, the applicant has only committed to creating a report  
15 showing the potential benefits of integrated resource planning. It does not presently plan  
16 to merge the utilities. Nor has the applicant explained how it proposes to actually  
17 implement the planning. For any savings to be realized, it is not enough to simply model  
18 an integrated approach, the utilities would need to actually implement the least-cost  
19 option. The applicant has not provided any concrete commitment to do so. Thus, while

1 my modeling shows the *potential* for savings in generation planning, it should be  
2 understood that significant barriers to ratepayers realizing those savings remain.

3 Q. Is joint resource planning occurring?

4 A. No. On January 21, 2015, Wisconsin Public Service Corporation (WPSC) filed an  
5 application for Fox Unit 3 (Fox 3), a 400 megawatt (MW) combined-cycle plant, to be  
6 built and operated by WPSC.

7 Q. Do you believe Fox 3 is required by 2019 if the utilities act together to meet their  
8 resource needs?

9 A. No, not if the utilities create *and implement* an integrated resource plan. For the two runs  
10 I analyzed, *no* combined-cycle units were required when the utility generation was  
11 combined as if they were one company. For the analysis I performed without additional  
12 retirements (WEPPS4)<sup>1</sup>, only 60 MW of renewable energy would be added. For the  
13 analysis, with the additional retirement of Presque Isle Power Plant and Pulliam Units 7  
14 and 8 (Pulliam 7 and 8) (WEPPS5)<sup>2</sup>, an additional 107 MW of combustion turbine  
15 capacity would be required in 2019, 2030, and again in 2033.

16 In the stand-alone run I performed for WPSC, the need for a 400 MW  
17 combined-cycle unit does show up in 2019 for the analysis without additional retirements  
18 (WEPPS4WPSshareBIGGER)<sup>3</sup> and with the additional retirement of Pulliam 7 and 8  
19 (WEPPS5WPSshareBIGGER)<sup>4</sup>.

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<sup>1</sup> Text in parenthesis references analysis as shown in Ex.-PSC-Detmer-1.

<sup>2</sup> Text in parenthesis references analysis as shown in Ex.-PSC-Detmer-1.

<sup>3</sup> Text in parenthesis references analysis for WPSC.

<sup>4</sup> Text in parenthesis references analysis for WPSC.

1           The joint modeling suggests WPSC is short and Wisconsin Electric Power  
2           Company is long on capacity, and there is a shared benefit in less capital expenditures  
3           when the two utilities can share their resources.

4   Q.     Are you pre-judging the need for Fox 3?

5   A.     As I mentioned there are valid reasons to pursue Fox 3. These include changes in  
6           environmental laws such as EPA 111d and the need for improved emission controls.  
7           The approval of Fox 3 and placing it in service by 2019 would eliminate most of the  
8           savings I speak of. Delaying Fox 3 may provide some of the joint savings I speak of  
9           only to a lesser amount. No savings, however, are realized if the companies do not share  
10          their resources thereby eliminating much of the \$600 million in savings I speak of. In  
11          my testimony I spoke of the granular detail in the modeling that could be debated herein  
12          but I do not believe this is the time or the place without further modeling provided by a  
13          joint company.

14   Q.     Is a commitment to implement joint planning enough?

15   A.     No, to truly see the benefit of joint planning and the selection of the least cost approach  
16          the two systems must be operated jointly. An example would be the Northern States  
17          Power Company system which combines Northern States Power Company-Minnesota  
18          and Northern States Power Company-Wisconsin, planning and operating the two  
19          separate systems as one through a Federal Energy Regulatory Commission interchange  
20          tariff. An interchange tariff would not apply in this instance. It is necessary for the  
21          applicant to propose a process to accomplish joint operation. Potentially, a form of  
22          affiliated interest agreement that would permit the utilities to jointly plan and operate  
23          their systems may be a workable option.

1 Q. What do you believe the Commission should do?

2 A. First, in order to obtain any potential savings I speak of, the Commission must require the  
3 utilities to perform joint planning immediately if the acquisition requested in this docket  
4 is approved. Otherwise, any savings from delaying the next generating resource from  
5 WPSC will not be realized. Second, the Commission should require the utilities to  
6 implement whatever the least-cost solutions are determined to be. Sharing generation  
7 between independent utilities within a holding company typically requires the creation of  
8 an affiliated interest agreement. If the benefits of joint planning are to ever be realized,  
9 some legal relationship between the utilities must be created. The Commission need not  
10 determine at this time the exact terms and makeup of that relationship. However, because  
11 affiliated interest agreements are typically created at the discretion of the utility and its  
12 affiliate, the Commission should clearly condition any approval of the acquisition on the  
13 expectation that the utilities will form such an arrangement on reasonable terms if the  
14 results of any shared resource planning show savings from that approach. Finally, the  
15 Commission should also require that, in any Certificate of Public Convenience and  
16 Necessity application for the construction of new generation include an alternative  
17 analysis showing why joint planning was not selected.

18 Q. Do you have any additional comments?

19 A. Yes, I do. My lack of response to any testimony should not be construed as agreement  
20 with any particular position taken by any witness.

21 Q. Does this conclude your rebuttal testimony?

22 A. Yes, it does.

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